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PP RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHBK #0711/01 0790743  
ZNR UUUUU ZZH  
P 200743Z MAR 09  
FM AMEMBASSY BANGKOK  
TO RUEHC/SECSTATE WASHDC PRIORITY 6471  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHAN/AMEMBASSY ANTANANARIVO 0054  
RUEHBJ/AMEMBASSY BEIJING 6867  
RUEHLM/AMEMBASSY COLOMBO 3616  
RUEHDR/AMEMBASSY DAR ES SALAAM 0321  
RUEHDBU/AMEMBASSY DUSHANBE 0001  
RUEHHI/AMEMBASSY HANOI 7322  
RUEHIL/AMEMBASSY ISLAMABAD 3371  
RUEHBUL/AMEMBASSY KABUL 0933  
RUEHKT/AMEMBASSY KATHMANDU 7477  
RUEHTO/AMEMBASSY MAPUTO 0080  
RUEHNE/AMEMBASSY NEW DELHI 5540  
RUEHCHI/AMCONSUL CHIANG MAI 6340  
RUEHHK/AMCONSUL HONG KONG 4930  
RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS SECTION 01 OF 02 BANGKOK 000711

DEPT FOR EEB/ESC/TFS  
DEPT FOR EAP/MLS  
STATE PASS TO USTR  
TREASURY FOR OASIA  
DHS FOR CBP

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
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SUBJECT: CHANTABURI ARTISANS LAMENT THE LOSS OF THE BURMESE RUBY  
TRADE

REFS: A. 08 BANGKOK 3207  
[1](#)B. 08 BANGKOK 3703  
[1](#)C. 07 BANGKOK 5927  
[1](#)D. 07 BANGKOK 6239

BANGKOK 00000711 001.2 OF 002

[1](#)1. (SBU) SUMMARY: Tens of thousands of Thai artisans and traders have lost employment in what used to be their premier craft: the cutting and polishing of world-class Burmese rubies. The double whammy of the U.S. JADE Act and the global economic recession has thrown the industry into disarray. Thai gem dealers say the idea that thousands of finished rubies could be identified and documented from mine to import into the U.S., as required by the JADE Act, is simply impossible. They hope that self-certifications will suffice as they try to develop new technology to process African rubies for foreign markets. END SUMMARY.

[1](#)2. (SBU) Chantaburi city, nestled in the foothills of the mountain range that separates Thailand from Cambodia, is the gemstone capital of the country. After the area's own decades-old ruby mines ran dry, the artisans have turned in recent years to importing raw stones on which to deploy their finely-honed skills. Chantaburi craftspeople produce sapphires, mined in Africa, of world re-known, but their real passion has been the heating, cutting and polishing of Burmese rubies.

[1](#)3. (SBU) "This is our art," the Secretary General of the Chantaburi Gem and Jewelry Traders Association told Econoff on a recent visit. "No one can finish Burmese rubies like we can and they are the most beautiful in the world." He went on to explain that the subtle color and hardness characteristics of different gemstones require different skills. Those who have made their careers in working Burmese rubies cannot readily switch their trade to sapphires from Madagascar, for example, for which there are other artisans with time-honed skills. Moreover, high-end jewelry houses often design around particular cuts and colors of stones, which need to be available in sufficient quantities. "We were the only real source

for the Burmese rubies they wanted."

¶4. (SBU) The U.S. JADE Act and the global economic recession have thrown Thailand's jewelry and ruby processing industry into disarray and depression. In its March 3 report on the impact of the JADE Act on Thai gem and jewelry exports, the Bangkok-based Thai Gem and Jewelry Association said that gem and jewelry exports last year were the third largest export product category for the country, employing over 1.1 million people. However, exports to the U.S., historically Thailand's largest market, tumbled by a third in the last quarter of 2008, according to the report. Export data is not specific enough to identify the impact on rubies per se, and the Chantaburi traders readily admit that they cannot separate out the impact of the JADE Act from the effects of the global economic downturn as they both hit at the same time last fall. But the impact on Chantaburi, where one in six residents is involved in the gem industry, is striking. The 14 factory and trading house owners with whom Econoff met, said their business was down between 50 and 90 percent from last year.

¶5. (SBU) In an economy reeling from general economic recession, whatever hardship is attributable to the JADE Act is obviously not welcome. The direct impact on official unemployment statistics, however, is probably not large. The vast majority of gem cutters and polishers work in family-based enterprises, the Chantaburi industry leaders told Econoff, and many have other jobs on the side. Moreover, in the March 3 report, Bangkok industry analysts explain that the jewelry industry typically will cut executive compensation, eliminate overtime, and cut-back on hours before resorting to lay-offs. Nevertheless, the report estimated that 60,000 have already lost their jobs. In the few factories and shop houses that Econoff walked through in Chantaburi, many that the owners said had previously bustled with activity, were empty.

¶6. (SBU) Whatever the actual impact on sales and employment, the JADE Act has had a clear impact on how the Chantaburi dealers do business. "I used to keep an office in Mae Sai to handle raw stone purchases from across the Burmese border," one factory owner told

BANGKOK 00000711 002.2 OF 002

Econoff. "Now I have closed it. With no one buying rubies from the Thai side, the Burmese smugglers now deal mostly in jade with the Chinese." Ruby imports from Africa have picked up, but marketers are scrambling because the American and European buyers that used to come regularly are nowhere to be seen. Meanwhile, inventories of gemstones, from all sources, at all stages of production are piling up. No one is investing in new production.

¶7. (SBU) In conversations with Econoff, the Chantaburi gem producers seemed quite knowledgeable about the requirements of the JADE Act, with regard to the need for a documentary trail for non-Burmese rubies. "But it is just not possible," they claimed. Neither African mine owners nor governments issue certificates of origin. African and Thai Customs authorities do not specify rubies in import/export documents, listing just "gemstones" in customs and tax documents, but that is largely irrelevant as most raw rubies, whether from Africa or Burma, are smuggled into Thailand. Moreover, the costs of producing and maintaining the paperwork trail are prohibitive, they claim, for all but the most valuable stones. Matching each finished ruby to a document that identifies it by weight, color and cut would indeed be daunting, Econoff realized, when he examined a zip-lock bag holding a thousand 2 millimeter rubies finished for placement in wristwatch faces. "If the U.S. authorities will not accept our self-certifications as sufficient documentation, it is hopeless," the Chantaburi Association Secretary General said.

¶8. (SBU) But the artisans and gem dealers of Chantaburi are a resourceful lot. Bad times have forced them into developing new technologies. Through careful mixing of chemicals and heating processes, they believe they can get rubies from Madagascar to look quite similar to the much-prized blood red Burmese stones. High-end buyers from the U.S. and Europe may not want substitutes for the real thing, they realize, but perhaps they can expand their markets domestically and in Asia. Meanwhile, Bangkok dealers speculate that as the Chinese market becomes more sophisticated, Burmese rubies will find their way there. Chantaburi craftspeople believe that it would be years before techniques in China could be developed that could supplant their skills with Burmese rubies, but that may just be a matter of time.

¶9. (SBU) Comment: Long accustomed to warm and profitable relationships with U.S. and European buyers, Thailand's gem dealers

stubbornly cling to the belief that if the U.S. government truly understood that, from their view, the JADE Act's impact on the Burmese regime is minimal while its impact on them is huge, surely we would adjust the law. The March 3 Bangkok industry report claims that 90 percent of the value of jewelry exported from Thailand is added in Thailand. Apparently the Chantaburi gem association has read the Act more carefully. An Association vice president queried Econoff, "We are never again going to be able to export our Burmese rubies until there is democracy in Burma, right?"

JOHN